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CIA/RR CB-62-27

Copy No. 28

29 March 1962

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SHIFTS IN THE EAST GERMAN FOREIGN TRADE PATTERN IN 1961

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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SHIFTS IN THE EAST GERMAN FOREIGN TRADE PATTERN IN 1961

Incomplete information on East German foreign trade in 1961 shows little change in trade turnover, which increased by 1 percent, but various shifts in geographical distribution. Imports grew more than exports in trade with the USSR, and the reverse occurred in trade with the European Satellites and the Free World. East Germany probably had a small export surplus in commodity trade, but because it spends considerably more than it earns abroad on invisibles (transport, insurance, and the like), the result for 1961 was still a deficit on all current transactions, probably of more than \$100 million. Preliminary estimates of East German foreign trade in 1961 are summarized in the accompanying table.

The available East German information, most of which comes from a speech made by Foreign Trade Minister Julius Balkow at the Leipzig Fair, shows an import surplus from the USSR amounting to nearly \$150 million in 1961. Partial returns from the other European Satellites show that East Germany had a substantial export surplus with them in commodity trade, probably more than \$100 million. In commodity trade with West Germany, East Germany showed an export surplus of about \$45 million, resulting in a substantial reduction of the long-standing East German debt to West Germany. With the rest of the Free World, East Germany still ran an import surplus in 1961, in spite of a 17-percent increase in exports and a negligible increase in imports. Thus East Germany not only did not succeed in repaying earlier credits but also required some additional credits to cover a current deficit of both commodity trade and invisibles. It is not known how much of the East German deficit in trade with these countries in 1960-61 was financed by Soviet credits, and how much by credits from Western business firms.*

Trade with West Germany declined about 10 percent in 1961, for reasons connected with the West German decision in October 1960 to denounce the interzonal trade agreement. Although an agreement to continue interzonal trade was finally reached by the end of the year, uncertainty as to the future led to delays in placing orders for 1961. The West German action also prompted the East German regime to deemphasize interzonal trade in 1961, as part of an effort to reduce the vulnerability of the economy to an embargo. The decline in total interzonal trade in 1961 was not accompanied, however, by a drop in "strategic" imports from West Germany. The most vital imports from West Germany, high-grade steels, actually rose in 1961 to more than double the 1960 level.

The increase in East German exports to the rest of the Free World, though not enough to bring East German trade with the area into balance, is still impressive. The 35-percent increase in exports for the two years 1960-61 shows that Ulbricht has had some success in his campaign to make East German goods more competitive in Western markets.

Another interesting change, although not of great economic importance to East Germany (except for the loss of soybean imports), was the large drop in trade with Communist China. Balkow's speech does not include any data on this trade, but the residual calculations shown in the accompanying table (covering the trade of Communist China and the other Asian bloc members together with that of Hungary and Albania) show that it must have dropped by about one-half.**

* Credits outstanding from private firms in NATO countries were reported to be \$18.7 million as of 31 July 1961. These are the only known Western credits to East Germany.

** A similar drop is shown in partial statistics for Poland and Czechoslovakia.

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East German trade with the European Satellites continued to grow rapidly in 1961. East German exports to these countries apparently rose more rapidly than imports. The resulting East German export surplus was partly financed by East German credits, but it was partly offset by increased East German expenditures on invisibles. Increased payments for the use of Polish transit facilities, along with the East German contribution to the expansion of Polish brown coal mining and the construction of the Polish segment of the oil pipeline from the USSR, are believed to explain the increased East German surplus on trade with Poland in 1961, when imports actually fell below the 1960 level.

The East Germans have not yet announced general foreign trade goals for 1962. The trade and aid agreement recently signed in Leipzig, however, clearly indicates that East Germany will again run a large import surplus with the USSR. In turn, East Germany will probably try both to raise domestic investments and to run a considerable export surplus with the Satellites and the Free World. The planned import surplus with the USSR may indeed be large enough to enable East Germany to cover its net expenditures abroad on invisibles while reducing its indebtedness to the Free World and fulfilling its commitments to the Satellites.

Preliminary Estimates of East German
Foreign Trade in 1961

| | 1961 (Billion US \$) | Percentage change over 1960 |
|-------------------------------|-------------------------|-----------------------------------|
| Total turnover | 4.40 | 1 |
| USSR | | |
| Turnover | 1.97 | 5 |
| Imports | 1.06 | 12 |
| Exports | .91 | -2 |
| Free World | | |
| Turnover | 1.19 | 1 |
| Imports | .58 | -4 |
| Exports | .61 | 7 |
| European Satellites <u>a/</u> | | |
| Turnover | 1.00 | 14 |
| Other <u>b/</u> | | |
| Turnover | .24 | -44 |

a. Excluding Hungary and Albania, for which data are not available.

b. The residual includes Hungary, Albania, Communist China, and the Asian Satellites.

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Analysts:

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Chief, Analysis Branch, DD/CM

4 April 1962

Chief, Publications Staff, ORR

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9 Attachments

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